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Attorney general '98

Attorney General Dan Lungren is termed out and running for governor and an impressive array of potential successors is forming in the wings.

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The Sun-Diamond scandals

The relationship between a large California growers' cooperative and Secretary of Agriculture Mike Espy was a little too cozy for federal investigators.

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Electronic filing

Legislators from both parties supported the notion of filing campaign finance data electronically. So why did legislation to that effect fail in 1996, and will it pass in '97?

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If any one group of electricity providers has a tough road in this era of deregulation, it's municipal electric companies.

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COVER



Oil painting by Mel Smothers, *Capitol City*, 1994, courtesy of the artist. Mel Smothers has been a student of Wayne Thiebaud and Gregory Kondos which puts him in the next generation of the Sacramento Valley school of painters. His work has appeared in Phil Linears' "New Images in California Art". Mr. Smothers' work can be seen at Natsoulas Gallery in Davis or by contacting the artist at (916) 939-0781.

Upfront umbrage

Bring back the Duke. Governor Pete Wilson rendered his State of the State message last month — in the truest sense of the word “rendered,” to paraphrase Mark Twain. “Dull” does not begin to describe an effort that made some listeners long for the days of former Governor George Deukmejian and his “men to match her redwoods” bromides. One veteran journalist, who has listened to several decades worth of State of the State and State of the Union messages, summed up Wilson’s monologue as “the worst speech by a major political figure that I can remember.” No spark, no vision, no ideas, no ap-



plause lines and not one memorable quote. Even the jokes were written out and included in the text copy distributed to reporters just prior to Wilson taking the podium — including an aside in brackets. The only positive note was the governor’s voice, which sounded reasonably good for someone

who has undergone three throat operations.

R-e-s-p-e-c-t. Newly minted state Senator John Burton showed that migration from Assembly to Senate doesn’t necessarily mean a more refined sense of decorum. The San Francisco Democrat watched the State of the State while leaning against a pillar at the back of the Assembly chamber and cracking a steady stream of jokes at the governor’s expense.

Thank you, 208. At least one new lawmaker wants to publicly thank the folks who wrote, promoted and voted for Proposition 208 — the new campaign-reform law that has many politicians grumbling under their hats.

Assemblyman Fred Keeley (D-Santa Cruz) thinks it’s just grand that he doesn’t have to spend one day in 1997 raising money. Keeley has seen the other side. Although a freshman, he’s no stranger to the Capitol, having previously served as chief of staff to Representative Sam Farr (D-Carmel) during Farr’s days in the Assembly. Keeley, however, doesn’t comment on a law that could encourage a wealthy individual such as Michael Huffington to run for office while discouraging a veteran public servant such as Leon Panetta.

Policy by anecdote. Senate President pro Tempore Bill Lockyer (D-Hayward) would like each legislator to spend a day with a welfare recipient to better understand how those on the public dole cope with life on a limited budget. But Senate Minority Leader Rob Hurtt (R-Garden Grove) thinks Lockyer ought to spend a day with a middle-class family, to see how it copes with the burden of high taxes. Hurtt also suggested that Lockyer tag along with welfaree Fast Ed, a denizen of San Francisco’s Haight district, who com-

plained to the *San Francisco Chronicle* recently that the price of beer has been hiked beyond his ability to pay. We have a suspicion that Hurtt thinks Fast Ed is a typical welfare recipient.

Welfare in stereo type. Why is anyone surprised that Governor Pete Wilson seems to have a simplistic view of the welfare world, as evidenced by his “couch potato” remark in last month’s State of the State? Doesn’t anyone remember his now-infamous “six pack” remark way back at the start of his first term?

Stupid pet trick of the month. The honor goes to the Association of California State Attorneys and Administrative Law Judges, and yes, Virginia, that is a real group. While most of the Central Valley was under water and folks were being driven from their homes and some people were dying, this group of fine state employees took the occasion to ask for a raise. “Public employees rise to the occasion during floods; state legal professionals ask governor to support a salary increase,” headlined its press release. The ACSAALJ praised the work of police, rescue personnel and others, then chastised the gov for failing to give them more money — and, one assumes, members of the ACSAALJ as well.

Home boy. The city of Chula Vista recently awarded a \$66,000 lobbying contract to one of its own — former Senator Waddie Deddeh, a Democrat who represented the area in the Assembly from 1966 to 1982 and in the Senate from ’83 to 1993. He left the Legislature mid-term, ostensibly to become a teacher. He turned to lobbying, however, joining a firm established by another former legislator — ex-Senator Bob Wilson. According to the *San Diego Union-Tribune*, Deddeh’s firm beat out a Sacramento heavyweight for the contract — Advocation, Inc., which had represented Chula Vista for seven years. City staff rated Advocation the number-

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one candidate, with Wilson/Deddeh second. But the council opted for Deddeh after the former lawmaker promised that Chula Vista would be his top priority, and that he would push Chula Vista's needs and agenda even if its interests should conflict with those of other clients. Deddeh's firm also represents San Diego municipalities National City, Poway, Santee and El Cajon, as well as the San Diego Association of Governments. The string of cities and the association will pay Deddeh's firm \$228,000 in 1997, according to the paper.

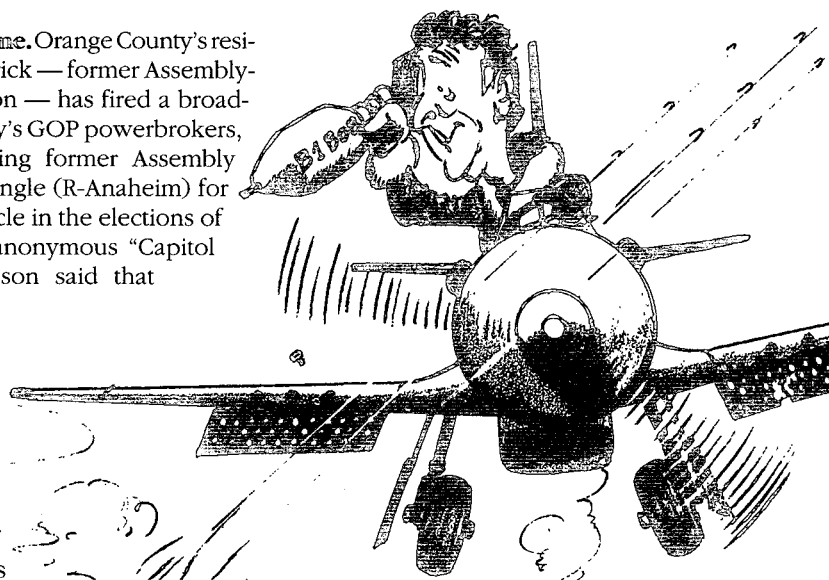
Blame game. Orange County's resident GOP maverick — former Assemblyman Gil Ferguson — has fired a broadside at the county's GOP powerbrokers, especially blaming former Assembly Speaker Curt Pringle (R-Anaheim) for the party's debacle in the elections of 1996. Quoting anonymous "Capitol insiders," Ferguson said that Pringle and company were so overconfident and arrogant that they squandered precious resources on efforts to knock off Democrats. Pringle personally

did not like, even though the GOP had no chance of victory in those districts. He said that the establishment's "rigidity" has alienated many party regulars in Orange County and accounts for the fact that "nearly every machine-endorsed candidate, including one for the Newport Beach City Council, was defeated."

Fiscal Responsibility. The Washington, D.C.-based Center on Budget and Policy Priorities spends so much time keeping track of how the government spends its pennies that they apparently don't have time to watch their own. Last month, the center sent out a 13-page report — along with a news release — on the disproportionate effect budget cuts had on the poor. Since that packet failed to include news releases from three of the news conference participants, a second 17-page packet was sent out, with the three releases duly added to the mix. Uh-oh. Turns out the news releases were alright, but the report accompanying it was a draft, which was subsequently revised. The solution? Send out the whole packet one more time, accompanied with

a memo explaining the multiple snafus. In all, it took 49 pieces of paper and about \$3 worth of postage to release one 13-page report to one reporter. It's just that kind of attention to cost-cutting that has made the Pentagon such a model of fiscal efficiency.

Flight of fancy. The recount was underway, so to ease his stress, then-Representative **Bob Dornan** (R-Garden Grove) did what he likes best



— he went flying. But according to the Center for Defense Information, a Pentagon watchdog, Dornan's little excursion cost taxpayers well in excess of \$4000. That's because "B-1 Bob" took his little soar in an FA-18 fighter jet at El Toro Marine Corps Air Station. The trip, which was accompanied by a second jet, included a few simulated bomb runs — not over Loretta Sanchez' home, by the way. The Marine Corps told the *Los Angeles Times* that Dornan wanted to learn the plane's capabilities — an explanation that seemed a bit stretched to a retired admiral who works for the CDI. He didn't understand why a departing congressman would need that information. The flight lasted one hour.

Gone to the dog (sleds). Capitol veterans will remember Sarah Michael, the lobbyist who worked for George Steffes for a number of years and who long ago served as a consultant to the Assembly Transportation Committee. Michael moved back to Idaho in 1995 and late last year em-

barked on a two-year wilderness adventure through Alaska — via foot, ski, snowshoe and kayak. Accompanied by a friend, Bob Jonas, Michael's goal is a 3000-mile odyssey up rivers, across glaciers and ice fields and over mountain passes. So far, she has traversed about a third of that distance, including a 750-mile paddle along the sea coast from Ketchikan to Glacier Bay. According to Michael's year-end letter, the funniest moment took place when her companion tried skinny-dipping in the ocean just as a small aircraft appeared and buzzed him, twice. Her scariest moment was encountering a pair of grizzlies along the trail. The high point may have been celebrating her 50th birthday with a bevy of family and friends who flew to Glacier Bay for the event. Michael and Jonas will winter at a place called Ultima Thule Lodge in the Wrangell-St. Elias National Park. They will serve as caretakers for the property until spring, when the pair will set off again for the deep wilderness.

Innie awards. The January '97 issue of *Governing* has recognized several California entities for its "innova-

tions in American government" awards. Cal/EPA was singled out for its Environmental Technology Certification program, launched in 1993 to give the state's okay to pollution-control techniques. According to the magazine, the program was designed to help clear away bureaucratic barriers to the development of new equipment and processes for cleaning up pollution. Also mentioned was Riverside County's GAIN Program, which serves 11,000 welfare recipients and has placed more than 50,000 people in jobs since its inception in 1987 — far in excess of the 15 placements per month that were expected out of the program. County officials estimate that GAIN saves local taxpayers about \$25 million per year at an annual cost of only \$10 million.

Recipe for success: Serve a couple of terms in the Legislature, run for some other office, get creamed. Then, appeal to a poobah from your party — the speaker of the Assembly, or the pro tem of the Senate, or the governor — with the power to appoint folks to a well-paying post on some board or commission. Latest to score:

former Assemblyman Trice Harvey (R-Bakersfield), who recently landed a spot on the Agricultural Labor Relations Board at \$101,000 per year. He was named last month by Governor Pete Wilson.

Getting there. The **Bay Area Council** released its list of top problems facing the region, with the list compiled following a poll of Bay Area residents. At the top, transportation, cited by 33 percent of those polled. Crime was second, with 24 percent. A year ago, those two issues were reversed, with crime at the top and transportation second. 🏠

"To send any citizen out into society handicapped by wretched shelter, poor health and illiteracy, when the means to do better are available, contradicts the fundamental ideals of a just and civilized society."

— Barbara Ward

Larry Margolis

On a hot Sacramento summer day in 1966, three very nervous, newly-minted legislative staff members were ushered into the imposing office of the imposing Speaker of the California State Assembly, Jesse M. Unruh. Draped across a chair alongside the speaker's desk — casually finishing Unruh's sentences and completing his thoughts — was Unruh's imposing chief of staff, Larry Margolis.

That homey tableau was my first introduction to Capitol power.

In the early days of legislative renaissance, Margolis was best known — and most feared — because, as journalist and author Lou Cannon wrote, "his word from the speaker's office carried the authority of the man to whom he bore allegiance."

But for that strange new breed of political idealists who were being recruited to staff the Assembly and help build and shape the professional legislature, Margolis often played the role of teacher — if, at times, a hard taskmaster. Margolis was bent on creating a strong and independent policy apparatus — free from control by lobbyists and the governor, though not by the speaker — and many of the new staff members shared his passion for change and his conviction that it was *our* responsi-



bility to make it happen. (That conviction contributed to a fist fight between two earnest and exuberant staffers over which of them had done more for the poor!).

Back then, however, too much staff power was suspect and, when it over-reached, not tolerated. That's a lesson we new professionals learned when Larry left the Sacramento scene.

Margolis went on to teach and lecture and then to head a non-profit organization to spread the gospel of legislative reform and upgrading. He did other things, too, including a stint in Unruh's Treasurer's Office. But by then, the times and politics and players had changed; nothing could replicate the powerful synergy that existed between these two men — who were most responsible for the modern legislative era.

When Margolis passed away last month at 71, so — finally — did Unruh. And so did a vision of politics which saw government as builder, healer, protector and guide. Margolis, like Unruh, understood that power is a hammer, and it can be used either to build up or to tear down.

Far more often than not, Larry Margolis pushed to use that hammer in order to build. 🏠

— Sherry Bebitch Jeffe

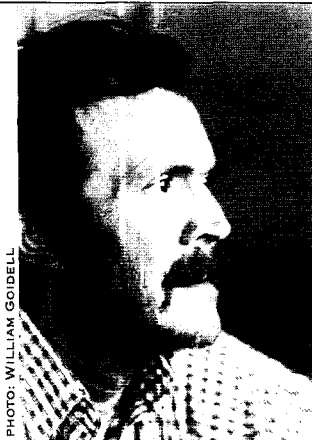


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'98 attorney



Pictured, clockwise: Goldsmith, Kopp, Schenk, Capizzi, Stirling, Calderon, Poochigian, and center; Lockyer.

general's race unsettled, crowded

With Dan Lungren running for governor, a large field of potential successors is studying the odds, lining up support and weighing the options. Several candidates also have one eye on a lawsuit that could derail legislative term limits.

By Sigrid Bathen

Attorney General Evelle Younger once remarked that the attorney general may well occupy a more powerful position in California state government than even the governor. He hedged somewhat, saying the state's top legal and law enforcement position — often a springboard to "higher office" (e.g., the governor) — "touches the lives of Californians probably more than any other state office, with the possible exception of the governor."

He thought about that, then added: "And I'm not even sure the governor should be excepted."

A much earlier inhabitant of the office, Attorney General Robert W. Kenny, who served from 1943-47, put it more bluntly: "A smart A.G.," he said, "could practically take over the state from a dumb governor — if he had a mind to."

Neither Younger nor Kenny went on to become governor — although Younger tried, and lost to Jerry Brown in 1978 — but others did, including George Deukmejian, Pat Brown and Earl Warren, who then capped off his career as chief justice of the U.S.

Supreme Court. John Van de Kamp, the former Los Angeles district attorney who succeeded Deukmejian when the latter became governor in 1983, was long touted as gubernatorial material. He tried in 1990 but lost in the primary to Dianne Feinstein, who lost in the general to Pete Wilson.

And now, to no one's particular surprise, Republican Attorney General Dan Lungren, who succeeded Democrat Van de Kamp, wants to be governor. His likely choice as successor in the top cop's job: Chief Deputy Attorney General M. David Stirling, a former state legislator and judge, who lost a bid for the Republican nomination for attorney general in 1982, and who has mounted the earliest organized campaign for the '98 race — one of the few in a crowded field who has actually said he *is certain* to run, recently retaining the prominent Republican political consulting firm of Sal Russo. Stirling has the advantage of both position and timing, though not substantial statewide name recognition.

In addition to Stirling, others who, according to the secretary of state's office, have formed exploratory committees, include Senate President pro Tempore Bill Lockyer (D-Hayward), Senator Charles Calderon (D-Whittier), Orange County District Attorney Michael Capizzi, a Republican, and former U.S. Representative Lynn Schenk (D-San Diego). Now in private practice in San Diego, Schenk said it's too early to make a final decision and her efforts are purely exploratory at this point. Others whose names have appeared as potential candidates in 1998 — but had not taken any official steps as of early January — include Assemblyman Charles "Chuck" Poochigian (R-Fresno), Assemblyman Jan Goldsmith (R-Poway) and Senator Quentin Kopp (I-San Francisco), who all say they have not ruled out a run for attorney general but are exploring other options as well.

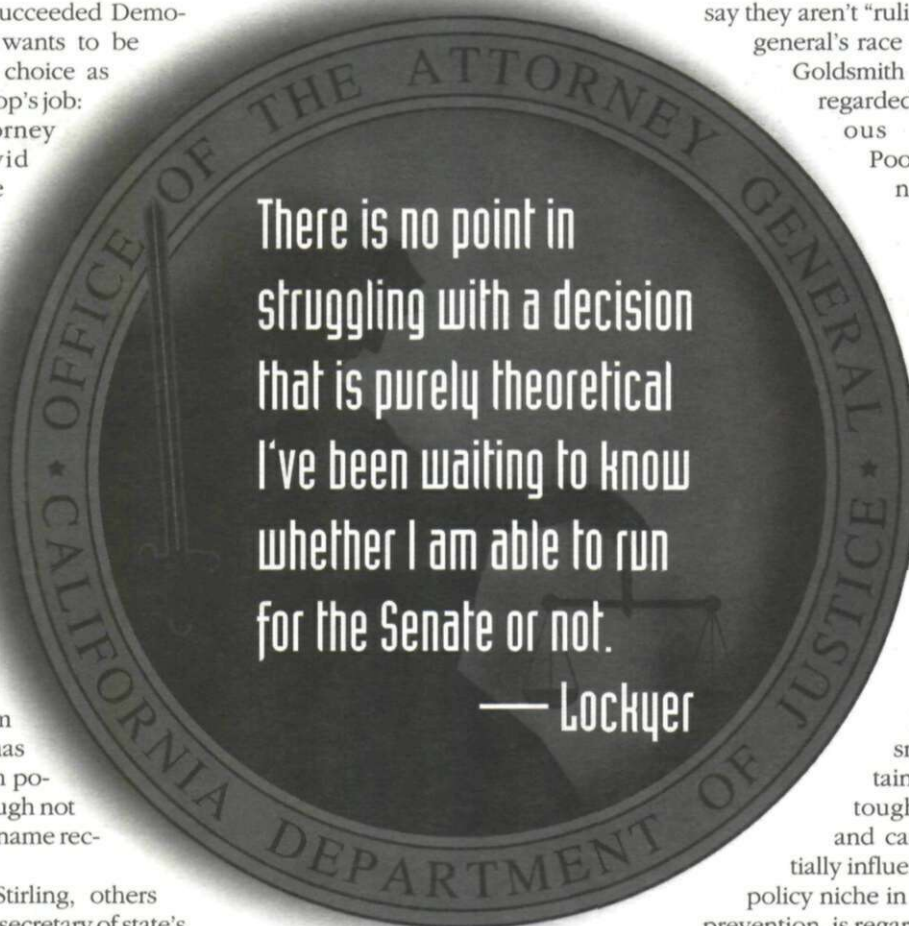
For some of the potential candidates, including the principal Democratic possibilities — Lockyer and Calderon — who have surfaced as ostensibly serious candidates, "other options" generally hinge on the outcome of legal challenges to legislative term limits. "There is no point in struggling with a decision that is purely

even tighter this last year" and that it's too early to sort out their potentially competitive political futures. "We both realize there is no point in trying to elbow each other while we are trying to manage the Senate together," Lockyer said. "These potential conflicts have a way of working themselves out."

On the Republican side, the other two legislators facing term limits who say they aren't "ruling out" an attorney general's race — Poochigian and Goldsmith — are not widely regarded as potentially serious candidates.

Poochigian, who was named one of two *California Journal* "Rookies of the Year" in 1996 and is not termed out until 2000, is a prodigious GOP fund raiser and is well-liked on both sides of the aisle. It is more likely he would run for the Senate seat of termed-out Senator Ken Maddy (R-Fresno). Goldsmith, while maintaining a high-profile, tough-on-crime stance and carving out a potentially influential legislative and policy niche in juvenile crime and prevention, is regarded in some circles as a loner with a penchant for backing odd causes — including a much-publicized campaign to bar Mexican children from walking across the border to go to school and a bill to legalize ferrets as pets. A former mayor of Poway, near San Diego, he lacks Poochigian's fundraising base and executive-branch credentials (Poochigian was an appointments secretary to governors Deukmejian and Wilson). Kopp, who has periodically expressed interest in the attorney general's job, said he was leaning toward returning to full-time law practice, but said he will make a decision in June on whether to throw his hat in as an independent.

Ultimately, the outcome of legal challenges to term limits, as well as new restrictions on campaign spending imposed by Proposition 208, passed by



theoretical," said Lockyer. "I've been waiting to know whether I am able to run for the Senate or not. If I can, there is one set of choices available. If I can't, there is a different set of choices. This [the Legislature] is the work I've done for two decades."

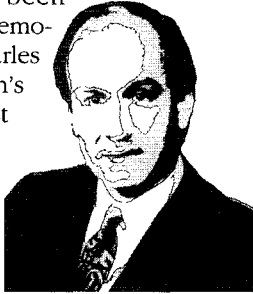
Calderon, who has been widely mentioned as a candidate for the Democratic nomination, is doubtless struggling with the same dilemma. He declined to be interviewed for this article, citing holiday scheduling pressures, but said in January he would be available for an interview in "about a month." If term limits are upheld, both his and Lockyer's Senate careers end in 1998. Lockyer told the political newsletter *Political Pulse* last November that his friendship with Calderon has "gotten

voters in November, could radically impact the actual candidate list. "There are a lot of people thinking about the race who are not [generally] known right now," said one source. With those decidedly amorphous caveats about a race nearly two years away, here are brief profiles of the major candidates, declared and semi-declared (alphabetically, Democrats go first):

Charles "Chuck" Calderon.

Much has been written about Democratic Senator Charles "Chuck" Calderon's longtime interest in running for California's politically coveted job as the state's top law enforcement official, but he declined to be interviewed for this article — he was, in fact, the only one of the four most frequently mentioned attorney general candidates who didn't have time for an interview. A resident of Whittier and a graduate of California State University, Los Angeles, and the University of California-Davis School of Law, the 47-year-old Calderon has actively practiced law as well as made it, serving as a deputy city attorney in Los Angeles, and remains a partner in the Los Angeles law firm of Burke, Williams and Sorenson. He was elected to the Assembly in 1982, to the Senate in 1990, and represents the heavily Latino 30th District, which runs from Huntington Park on the West to Whittier on the east and from Montebello on the north to Norwalk. He has served as chair of the Latino Legislative Caucus and is currently Senate majority leader as well as chairman of Senate Judiciary. He was born in East Los Angeles, fought to avoid the street gangs endemic to the area and identifies strongly with his constituents' working-class roots. He is also known for his participation in the so-called 'gang of five' — upstart young assemblymen who in 1989 sought to overturn the speakership of Willie Brown.

Calderon includes a long list of criminal justice and equal rights measures in his resume of successful legislative and policy initiatives, but has more recently become known for his aggressive — and some say intensely personal — positions favoring fathers'

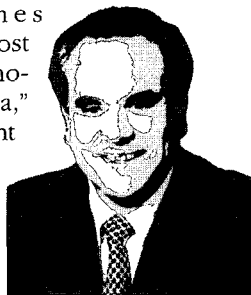


rights in custody disputes. Partly the result of a nasty divorce and custody battle, in which he fought for joint custody of his two young sons, Calderon's generally dependable support for women's rights measures has, according to women's groups, become less assured. A July 1996 profile in *California Lawyer* magazine quoted several women's rights advocates as baffled by Calderon's occasional polemics on men's rights. "He's hostile to women, and he's convinced the courts are biased against fathers," said one. "Now he's become the guru of the fathers' rights movement." Another called a Calderon analysis of a bill by fellow Democratic Senator Leroy Greene (D-Sacramento) an "absurd tirade" over a measure mandating gender-bias training for court-appointed child custody evaluators. Calderon later told *California Lawyer* that his problems with the bill hinged on "the fundamental question of why... plumbing should determine if you're a better person."

While Calderon admits that his own custody battle has colored his view of court-ordered custody arrangements, he insists he remains committed to women's issues but is concerned about the shrinking role of fathers in the lives of many families. "When did we lose respect for what the father contributes to the home?" he asked *California Lawyer*. A proven fund raiser, he also told the magazine that he estimates he's raised more than \$2 million since 1982 and contributed more than \$150,000 annually to fellow Democrats. "The question," the article concluded, "is whether the guru will be able to win converts beyond his congregation of angry fathers."

Bill Lockyer.

Sometimes called "the most powerful Democrat in California," Senate President pro Tempore Bill Lockyer (D-Hayward) would probably rather stay in the Legislature, where he has worked much of his adult life, carving out a formidable reputation as a Democratic fund raiser, a highly articulate, occasionally sharp-tongued, knowledgeable and seasoned



lawmaker of prodigious negotiating skills — and periodically prone to nasty outbursts of pique. The 55-year-old Lockyer says he's "matured" over the years, mostly reined in his legendary temper and no longer makes reportedly unwanted passes at women — another reputed character flaw which he says came out of his active single years as a young assemblyman with the usual appetites. Given the fact that some of his colleagues aren't immune to the same impetuous behavioral traits, it's unlikely those mostly old stories would impede a bid for statewide office, albeit one of a decidedly sober mien.

For his part, Lockyer says he is ideally suited to be attorney general — if he decides to run. "My expertise and interest are appropriate for that job," he said of the '98 attorney general's race. "I've been very active in the areas of criminal and civil law for a decade and a half or longer. I chaired [Senate] Judiciary for a long time. I've written lots of criminal and civil statutes." Although all of the potential candidates for attorney general are lawyers, some have more experience in practice than others. A former teacher and school board member, Lockyer has a teaching credential from CSU-Hayward and earned his law degree while a legislator, taking night classes at McGeorge School of Law in Sacramento for seven years. He says he briefly practiced criminal law in Alameda County — "probably more [practice] than Lungren when he became attorney general." While the attorney general's better-known responsibilities include a wide range of criminal and civil law and investigative support to local law enforcement, Lockyer says the role of the attorney general also is that of a "policy activist."

"The A.G. can be a narrow job," he said, "depending on who occupies the office. I would hope to be an A.G. in the way Jesse Unruh was treasurer, to make the office a richer, fuller, more aggressive operation." Somewhat vague on the details, he has told reporters he would like to see a change in an office which, as he told *Political Pulse*, under the current administration has become "a bully pulpit for law and order speeches [without] much improvement in law and order administration. The general philosophy has been anti-choice and uninvolved in environmental and consumer protection — concerns I would hope to add some new emphasis to."



Michael Capizzi.

As district attorney of one of the most influential — and financially troubled — counties in California, Orange County District Attorney

Michael Capizzi is fairly well-known outside his home territory, but his name may not translate into votes, or campaign cash. With hard-nosed prosecutions of major political figures in this very conservative, well-monied county, Republican Capizzi has not endeared himself to the reigning GOP power structure, and many question his ability to raise the money needed to wage a statewide campaign. His first major fundraiser, in fact, was not in the GOP bastion of Orange County, but in Beverly Hills, at the home of the sister of a long-gone Republican political luminary, controversial record company executive Mike Curb, who was California's lieutenant governor from 1979 to 1983. "I think he is going to have a very difficult time," Republican consultant Mark Thompson told the *Los Angeles Times* about Capizzi's chances for the nomination. "The rank-and-file members of the Republican Party — the activists, the legislators — are not going to put their names on the dotted line for him."

Capizzi, 57, has been the county's top prosecutor for seven years and a prosecutor in the office for more than three decades — experience that puts him ahead of those others in the race with less courtroom expertise. Known as a tough prosecutor, Capizzi has prosecuted numerous public corruption cases over the years, including the highly controversial recent prosecutions of two Orange County supervisors for alleged misconduct in the county's much-publicized bankruptcy. A state appeals court judge last November dismissed those charges with a stinging, 23-page opinion by Justice Edward J. Wallin, who sharply rebuked the D.A.'s office for its handling of the prosecutions of Supervisors William Steiner and Roger Stanton. In another, case, Capizzi prosecuted Assemblyman Scott Baugh (R-Huntington Beach) for alleged felony election fraud, and refiled the charges after most of them were thrown out. Capizzi's actions have enraged the conservative GOP political

establishment in Orange County. "The word is out that he is considered to have hurt the party apparatus," Doy Henley, chairman of the Lincoln Club of Orange County, the fund-raising arm of the local GOP, told the *Orange County Register* in December. "I don't know anyone who wants to help the guy."

Capizzi, who is president of the California District Attorneys Association and appears to have broad support among the state's top prosecutors, is remarkably sanguine about the Orange County GOP tempest. "I haven't formally announced the candidacy," he said, "but I'm very, very serious about it, and I have a lot of endorsements — 44 elected district attorneys, including 37 who have said I could use their names publicly, 17 elected sheriffs, dozens of police chiefs, and a number of attorneys and business people in the county."

Cautious in his assessment of party opposition to his candidacy, Capizzi said: "I don't want to categorize them [critics] other than misguided. There is a small group that has been vocal in their criticism of those cases. They are also the most vocal and adamant that we investigate [alleged election fraud] in the 46th Congressional District." Capizzi's office is jointly investigating with the secretary of state, deposed Republican Robert Dornan's vitriolic election fraud allegations against Democrat Loretta Sanchez. "There is some inconsistency in the position of those critics, some might even suggest hypocrisy."

"I've described myself as an equal-opportunity prosecutor," Capizzi added. "It has been our experience that when you prosecute people in elected positions, they engage in rhetorical attack on the prosecutor. We've got a long history of prosecuting those types of violations. You take those attacks in stride and work toward an orderly resolution of those cases. . . I'm a career prosecutor, not a career politician."



M. David Stirling.

At this point in the long-range plans for the '98 attorney general's campaign, Chief Deputy

... I'm a career prosecutor, not a career politician.
— Capizzi

Attorney General Dave Stirling's major problem seems to be getting his last name spelled correctly. Newspaper accounts, which are increasing as the field of candidates begins to gel, often misspell it as "Sterling" and, more often than not, completely ignore the "M," which stands for Moses. The lack of recognition may prove prophetic. Despite his years of public service — first as an assemblyman from southeast Los Angeles County from 1976-1982, general counsel to the state Agricultural Labor Relations Board from 1983-89, a Sacramento Superior Court judge appointed by Deukmejian in 1989, chief deputy to Attorney General Dan Lungren since 1991 — Stirling's most recent work as the attorney general's top manager has been more behind the scenes than directly in the public eye, which could be a liability to a statewide candidacy.

But Stirling, 56, also has the distinct advantage of starting his campaign early, having the front-running support of the current incumbent, the likely Republican nominee for governor, and having already amassed a big-name list of endorsements, including judges and other prominent lawyers, legislators and law enforcement officials. His hands-on legal experience is extensive and varied, including 10 years in private practice in Southern California after graduating from Tulane University School of Law in New Orleans, in 1965. In the Assembly, he served on the Judiciary and Criminal Justice committees, and frequently carried criminal justice legislation for then-Governor Deukmejian. He is generally well-liked in the attorney general's office, respected for his administrative and legal skills, although some local prosecutors reportedly have disagreed with a "too-

friendly" approach to business and industry regulation.

Stirling recognizes Capizzi's popularity among local prosecutors but essentially sees his prosecution of Supervisors Stanton and Steiner as an abuse of prosecutorial discretion. "To go after sitting supervisors in a criminal prosecution I find to be not the kind of mentality that one would want to have in the office of attorney general," he says, choosing his words carefully. "I would have at least considered perhaps a civil review." Calling himself a "thoughtful conservative" with a libertarian streak, he defends his approach to industry and business regulation with a similar philosophical view: "One of my main areas of concern is the enormous power that government has to come down on an individual or a business enterprise. . . Government can be overbearing, excessive and abusive. There are a lot of people concerned about the power of government and I'm not talking just about fringe groups."

He said he is reluctant to use the power of the state — as he says some local prosecutors have pressed him to do — to take what he regards as excessively forceful action against businesses or individuals. He says that view is not contrary to a strong consumer protection stance in the attorney general's office, which has long been known for its active consumer law section through several administrations, including Lungren's. "I believe in consumer protection, absolutely," said Stirling.

The father of a three-year-old daughter by his second marriage, Stirling also has two grown sons, one a Los Angeles County prosecutor, the other a high school English teacher going to law school. Long known for his conservative, get-tough approach to crime, including juvenile crime, Stirling appears to be moving toward the increasingly popular view that early crime prevention should at least be an equal partner, if not the primary factor, in deterring later violent crime. He says his post-legislative years as a family court judge, where he saw first-hand the effects of family discord and violence on children, have tempered his views. "And, at my age, having this little girl, that also affects how I see the kind of world she will have down the line. . ."

"I believe in tough crime measures, in three strikes," he says. "But we

have to a degree lost a substantial portion of one generation, and I'm not sure we can deal with some of the young thugs who are coming through, at younger and younger grades — and at least that many selfish, irresponsible fathers who have birthed those children. It is a rare situation where they [the children] have a chance. There isn't enough money, enough revenue that government can ever have to address these problems."

Like others before him, Stirling sees the attorney general's office as a bully pulpit to effect social as well as legal change. "We can have the toughest laws, the toughest prosecutors, the toughest judges. But the fact is that until we begin to change cultural attitudes that bring about violence and lawlessness and lack of respect for each individual, we are going to continue to be in fear of what's going on out there." 

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The Sun-Diamond

How a large California growers' cooperative sought to play the inside game in Washington politics and was rewarded with a special prosecutor, an investigation, and an orchard full of indictments.

By Michael Doyle

Richard Douglas, not knowing what was to come, celebrated in the long-ago December of 1992.

It no longer mattered that his fellow Republican George Bush had lost the presidency. The newly elected Bill Clinton had just named Douglas' long time friend, Mike Espy, as his choice to be secretary of agriculture. For Douglas, the chief political operative of California's Sun-Diamond Growers, the choice was opportune.

Business and pleasure combined. Douglas was genuinely happy for his fellow Howard University alumnus, who was to become the first African-American secretary of agriculture. Douglas, too, knew something about breaking new ground. He was the first African-American to earn a doctorate from the University of Maryland's agricultural economics department. As vice president of Sun-Diamond, which represents about 4500 California fruit and nut growers, he had become the most prominent black Republican player in trade and agricultural matters. Politically adept and well-connected, he operated at the level where party labels really don't matter.

"We have no permanent friends," Douglas used to say, "only permanent interests."

Michael Doyle is a reporter in the Washington bureau of McClatchy Newspapers.

Escapade



**Sun-Diamond management
demonstrated the very height of
corporate arrogance by repeatedly
and willfully violating the law ... and
breached its fiduciary duty to its 4500
farmer members in wilfully ignoring
Sun-Diamond's by-laws and committing
criminal acts.**

With his friend Espy atop the department that's so vitally important to Sun-Diamond affairs, Douglas had reason to think optimistically. He helped place one of Sun-Diamond's hard-working lobbyists, Madera County native Kim Schnoor, as a top Espy adviser. He helped Espy prepare for his confirmation hearings, and he touted to Sun-Diamond colleagues his access to the secretary. It was the fruition of a long uphill climb for both men, the start of a golden season.

Now, Douglas awaits trial in federal court in San Francisco, charged with giving illegal gifts to Espy and with concocting a scheme to funnel illegal contributions to Espy's brother. He has pleaded innocent. Espy remains under scrutiny, as yet uncharged, by the independent counsel who's been investigating him for more than two years. And Douglas' former employer, the Pleasanton-based Sun-Diamond Growers of California, stands convicted of eight felony counts relating to illegal gifts and campaign contributions.

"Sun-Diamond management," independent counsel Donald Smaltz said, "demonstrated the very height of corporate arrogance by repeatedly and willfully violating the law ... and breached its fiduciary duty to its 4500 farmer members in wilfully ignoring Sun-Diamond's by-laws and committing criminal acts."

Smaltz's investigation did more than expose Sun-Diamond to public embarrassment. It set the co-operative up for a potential multimillion-dollar fine, with sentencing set for February 1997. It led to the \$670 million-a-year company being banned, at least temporarily, from bidding for potential federal school lunch contracts. It led to Douglas ending his decade-long, high-flying career with the firm. And, more broadly, it shone a bright light on the world of Washington

lobbying. Smaltz, a Los Angeles attorney, certainly set some teeth on edge with the aggressiveness of his investigation. Some complained he was ranging too far afield from his charter to investigate Espy. Regardless, by subpoenaing 57,000 pages of Sun-Diamond documents, hauling some 30 Sun-Diamond employees before a grand jury and prowling through every aspect of the co-op's affairs, Smaltz illuminated otherwise dark corners of the Washington stage.

For example: how much are lobbyists paid?

Through its required filings with the House of Representatives, Sun-Diamond publicly declared it was paying its one-time lobbyist James Lake about \$24,000 a year. But Smaltz obtained internal company documents showing that Lake's firm was actually receiving \$20,000 a month — the difference being that most of the money was dedicated to "strategic communication" advice rather than strict lobbying. It was all perfectly legal, but also revealing about how public disclosure laws don't always work. Similarly, Smaltz' investigators laid bare myriad details of Sun-Diamond's lobbying operations run under Douglas' \$900,000-a-year budget. Any California company that does business in Washington should probably pray that it never gets caught in a similar spotlight, because when viewed through prosecutors' eyes, relationships and practices that some consider business as usual may take on a more sinister aspect.

"This is a case," prosecutor Theodore Greenberg told the jury, "about a company that used friendship for business purposes, and did it in an illegal way."

Sun-Diamond itself is an umbrella entity, which handles marketing and administrative matters for the co-ops that represent actual farmers. These fruit and nut growers don't receive the traditional Agriculture Department crop subsidies provided cotton, rice and wheat farmers. Nonetheless, the farmers are vitally interested in federal policies regarding trade, pesticides, farm labor and more. With the hiring in the early 1980s of Douglas, a former top Agriculture Department employee, Sun-Diamond began making itself more of a Washington player.

The son of a cook who died when Douglas was 8, the Maryland native was raised by a hard-working single mother. He became a man of signal accomplishment. In time, after earning his doctorate and doing stints in banking and in the Agriculture Department, Douglas was named a trustee of both Howard University and Stanford's Hoover Institute of War, Peace and Revolution. Before resigning from Sun-Diamond last year, Douglas had earned a solid reputation as the company's senior vice president of corporate affairs.

"He's incredibly talented from a policy perspective and, I think, he's got a great political mind," said Rep. Calvin Dooley (D-Hanford). "He [developed] pretty significant credibility on the Hill, both among Democrats and Republicans."

Under Douglas' guidance in the 1980s, Sun-Diamond began deploying the traditional political weapons. It contributed more than \$60,000 to Republican and Democratic committees in 1993-94. Sun-Diamond's three largest member co-ops — Stockton-based Diamond Walnut Growers, Kingsburg-based Sun Maid Growers, and Sunsweet Growers — each has its own political-action committee. These PACs gave an additional \$77,000 to federal candidates in 1993-94. But these contributions, overseen by Douglas, hardly set the co-op apart. It was the little extras that got Douglas and Sun-Diamond into trouble.

Take meals as an example.

On January 5, 1993, Douglas treated Espy to dinner at Washington's upscale Mr. K's restaurant. The bill, charged to Sun-Diamond, totaled \$256. The next night, Douglas treated Espy to dinner at the equally fancy 21 Federal restaurant. Sun-Diamond likewise picked up the \$218 tab. But those meals were mere domestic appetizers, compared to what was coming. After Espy had been confirmed as agriculture secretary, Douglas accompanied Espy to an appearance before the World Nut Congress in Athens, Greece. On May 22, 1993, Douglas treated Espy, Espy's girlfriend and a top aide to dinner at an Athens restaurant. The bill, paid ultimately by Sun-Diamond, totaled \$456. The next day, Douglas, Espy and companions ate lunch at Athens' Diogenes Restaurant. Douglas took the \$555 bill, though it was Sun-Diamond that ultimately paid.

"I've traveled in Europe, and it's quite expensive to eat in Europe," Sun-Diamond's president Larry Busboom assured the Washington, D.C., jury, adding that Douglas "thought it important as a courtesy to pick up the tab."

More than mere courtesy was involved, of course. Busboom further explained the expensive meals as Sun-Diamond's way of "maintaining a relationship" with the agriculture secretary. Such relationships are the backbone of any lobbyist's job, and wining and dining are standard tools in the lobbyist's trade. Set an independent counsel loose on any politically active business, and the revelations would probably start flowing like a fine cabernet at, well, 21 Federal. For that very reason, some storied Capitol Hill restaurants are withering in the wake of a new law that restricts meals and gifts to lawmakers.

Well before those new ethics rules had taken effect, Espy had gotten into the habit of accepting Sun-Diamond's relationship-maintaining largesse. Indeed, in some lights, he appears to be a man who became accustomed to a lifestyle that was legal for congressmen but questionable, at the least, for members of the president's Cabinet. As a Mississippi congressman for six years, Espy had twice flown to California courtesy of Sun-Diamond and pocketed \$2000 payments each time. Other companies had flown him to Jamaica, London, Zaire and Taiwan.

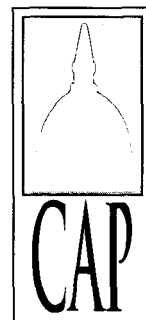
So perhaps it seemed perfectly ordinary for the then 39-year-old Espy to enjoy Sun-Diamond's hospitality in September 1993. Douglas, Espy and their respective girlfriends traveled from Washington to New York City that month to attend the U.S. Open Tennis Tournament. Tickets were hard to come by, but Douglas managed. Using his discretionary Sun-Diamond expense funds, Douglas paid \$8400 for tickets to the men's semi-final and women's final matches. There were also meals and limousine rides as part of the package. The total, all paid by Sun-Diamond, came to \$9183.

Douglas again using Sun-Diamond funds, further showed his regard for his old friend by buying an assortment of gifts. There was a crystal bowl and a framed print, that together cost \$524. There was a five-piece set of Hartmann luggage, valued at \$2427.50, that Sun-Diamond provided Espy in 1993 as thanks for a 1992 appearance before the co-op's officers

at Modesto's Red Lion Inn. Espy ultimately exchanged that set for one more to his liking. There were takeout barbecue dinners from Sutton Place Gourmet, whose prices are implied by the name, and meals in Los Angeles restaurants.

"It's a sophisticated company," Greenberg said, "and it knew what it was doing when it set out to give these gifts to Agriculture Secretary Mike Espy."

The relationship was nurtured in other ways, too, as when Douglas introduced the divorced Espy to an attractive young actress the agriculture secretary had expressed interest in. It was the sort of favor Douglas and Espy had traded for years, the sort of thing that friends do for one another. The twist, of course, was that Sun-Diamond was reimbursing Douglas for his comradely acts. The reimbursements showed how a genuine friendship had become more complicated; in some ways, more commercial. As Sun-Diamond's own internal policy stated: "Expenditures associated with the active conduct of business are reimbursed only if the entertainment precedes or follows a bona fide business discussion." A further sign of this dual aspect to the Douglas



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**Mr. Douglas and I shared the view
that the way to protect and preserve
[our interests] ... was the continued
cultivation of people on Capitol Hill.**

— James Lake

and Espy relationship appeared in Douglas's November 1993 job evaluation.

"Richard's long-term friendship with Mike Espy served Sun-Diamond well when Mr. Espy became secretary of agriculture," the evaluation stated.

Sun-Diamond certainly had reason to keep Espy happy. The company wanted continued access to the controversial Market Promotion Program, which provides federal funds to help advertise brand-name products overseas. In 1994, Diamond Walnut received \$2.9 million in federal MPP funds, Sunsweet received about \$1 million and Sun-Maid received about \$1.1 million. Sun-Diamond's growers also hoped for Espy's help in retaining use of methyl bromide, a soil fumigant that's both highly toxic and highly useful. Its use is scheduled to be phased out by the year 2001. In his 1993 Athens appearance, the day after he dined on Sun-Diamond's dime at the Diogenese Restaurant, Espy emphasized the resources that Agriculture Department scientists were putting into finding a methyl bromide alternative and spoke about how its loss "would greatly hurt U.S. agricultural exports."

Federal prosecutors, however, didn't have to prove that Espy actually did anything as a result of the Sun-Diamond gifts. Their burden was simpler: Did Sun-Diamond provide things of value to a government official whose decisions potentially affected the company's business?

Busboom, who along with other Sun-Diamond officials testified under a grant of personal immunity, said that Sun-Diamond wasn't buying anyone's friendship. The company's vice president and the secretary of agriculture were already friends, he stressed. An accountant by training, Busboom further told the Washington, D.C. jury, "I have no political skills." All the political heavy lifting was thus left to Douglas, who earned \$190,000 in his last year with the company. The company's essential defense at trial was that the gifts provided Espy were perfectly proper expressions of regard; and, that Douglas was responsible for the details.

"The relationship between Douglas and Espy began 25 years ago at Howard University, and they developed a closeness that you would expect in the true nature of friendship," Sun-Diamond's attorney Richard Hibey told the jury, before adding, "Larry Busboom could not and did not

know everything about every action that Richard Douglas took."

It was a fine line walked by Hibey, whose previous clients included Imelda Marcos. He wanted the gifts thought of as innocent and Douglas thought of as sympathetic; but if the jurors concluded otherwise, it was Douglas alone who should be responsible. In some not-so-subtle ways, he also played for racial sympathy with the Washington, D.C., jury that included 14 blacks and two whites. Though neither Douglas nor Espy appeared in the courtroom during the two-week trial, Hibey repeatedly found ways to remind jurors that both were highly successful black men.

The defense failed, and Douglas was indicted within weeks of Sun-Diamond's conviction. He has pleaded innocent to the charges he now faces and has long maintained that the gifts to Espy were tokens of their long-standing relationship. But his indictment, and Sun-Diamond's conviction, go beyond the gift-giving into an alleged scheme for funneling illegal campaign contributions to Espy's brother. This is a scheme that has already caused the fall of James Lake, Sun-Diamond's one-time lobbyist and a long-time player in the political big leagues.

A Fresno native and former aide to one-time California Congressman Bob Mathias, Lake had made himself the quintessential Washington man. Through his lobbying firm, he represented clients as diverse as Sun-Diamond, the emirate of Abu Dhabi and the Japan Auto Parts Industry Association. His personal income at times exceeded \$1 million a year, but some work he did for free. Every four years, he'd volunteer at high levels for Republican presidential candidates; in 1988, he was deputy campaign manager for George Bush's election bid. He represented Sun-Diamond's interests in Washington for more than 20 years, and worked hand-in-glove with Douglas.

Enter Henry Espy.

After Mike Espy was appointed to the agriculture secretary's job he wanted so badly, his brother Henry ran for the newly vacant House seat. Henry lost and accrued a major campaign debt. Douglas wanted to help retire that debt. According to Lake, Douglas proposed using Sun-Diamond funds to reimburse personal contributions to the Henry Espy campaign.

"I knew it was wrong," Lake said, "not legal, but after some conversations, I agreed to do it."

A total of \$5000 in Sun-Diamond funds subsequently went to Lake's firm. The money was supposedly paying for a table at a charitable event; in actuality, Lake testified, it went into the bank accounts of Lake and his employees who had contributed to Henry Espy. This constituted an illegal corporate campaign contribution, the jury determined in Sun-Diamond's trial. As of January, Douglas was awaiting trial on a similar charge.

Hibey characterized Lake as a "cheater, liar, deceiver ... [and] spin doctor" who was trying to frame Sun-Diamond for his own activities. That defense didn't work, either. Lake had pleaded guilty to three felony counts relating to the campaign contribution scheme and was testifying for the prosecution in Sun-Diamond's trial. He is likely to testify, as well, in the pending trial of Douglas, the man of high achievement who learned how Washington works and now may pay the price.

"Mr. Douglas and I shared the view," Lake said, "that the way to protect and preserve [our interests] ... was the continued cultivation of people on Capitol Hill." 🏠

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Campaign money

Nearly everyone thought electronic filing of campaign disclosure statements was a good-government idea whose time had come. So, why couldn't the Legislature pass it in 1996 and what are the prospects for success in 1997?

By Kathleen Les

Politicians in both parties say they favor posting campaign finance information on the Internet, so why didn't any of four bills that would require electronic filing of campaign disclosure statements make it through the Legislature last session?

For inhabitants of the electronic frontier, computer technology and its inherent opportunities for mass communication seem to offer the greatest hope yet for a true democracy — a digital democracy, if you will, where all, with a click of the mouse in the privacy of their own homes, have convenient access to a wealth of public information driving elected officials to ever higher levels of accountability.

In 1974, another generation of citizens believed they were doing the right thing to advance political democracy and clean up politics in the Golden State. That year, voters overwhelmingly passed Proposition 9, the Political Reform Act, an initiative requiring that all candidates for state and local offices disclose the sources of their monetary contributions and campaign expenditures. But the assumption that information, if filed with the government, would find its way to the voting public without impediments turned out to be fallacious. For more than 20 years now,

Kathleen Les is a freelance writer from Sacramento.

and the Internet



Illustration by Meg McNenry

Legislative staffers
and others close to
the issue say it was
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access to campaign
donor lists.

candidates and office holders have been filing lengthy reports detailing the sources of their campaign funds, but voters are still largely in the dark about who is bankrolling whom.

Though the reasons politicians or lobbyists might resist easy access to campaign information aren't hard to figure out, Dick Ratcliff representing the Institute for Governmental Advocates, an organization of lobbyists, says even he came around after being cynical in the beginning. "It dawned on me that making the information available to the public carries with it the obligation to make it available in a real sense as opposed to saying, 'it's in a box, go get it.'"

The so-called public access gained through Proposition 9 turned out in practice to be the right to plow through blizzards of white paper in cumbersome boxes deposited primarily in Sacramento. The burden is on the public to find their way to the more than 31,000 disclosure forms totaling over half a million pages of paper received each year by the secretary of state for state filers alone.

Rather than try to transform the existing mountains of paper, there seems to be a broad-based consensus that it's time to leave the paper age behind. Electronic filing seems to solve the big problems, whatever their origin, that currently conspire to make campaign finance information neither easily accessible nor user friendly.

"It's the quantity of paper that bogs everybody down, not just the location where it is deposited," said Secretary of State Bill Jones, who has positioned himself as an advocate of electronic filing since taking office in 1994. His first year in office, he organized a special advisory panel of computer and political experts to study the feasibility of filing of campaign reports electronically. The panel's recommendations resulted in a bill last year by then-Assemblywoman Jackie Speier (D-South San Francisco), requiring that campaign disclosure statements for state offices and ballot measures be electronically filed with the secretary of state and made public over the Internet. And so began the first set in a rigorous match of partisan politics over a succession of four bills whose authors claimed to have supporters in both parties rallying around greater public access to the most coveted of all data in any political campaign — where the money comes from.

Legislative staffers and others close to the issue say it was obvious with the first three bills, those by Senator Tom Hayden (D-Santa Monica), Speier, and then-Assemblyman Bruce McPherson (R-Santa Cruz), that neither Republicans nor Democrats wanted to let credit slip to the other party for bringing about more widespread public access to campaign donor lists. Jones himself agrees that partisan politics got in the way in the beginning, although he has since concluded that "politically we may have been too aggressive when we laid it [electronic filing provisions] out in the task force." But this, says Jones, was a necessary first step. "In a sense, we had to run it up the flag pole and see who salutes."

While many saluted, not all marched forward, succumbing to a host of technical reasons to prevent passage of the bills. In response to Speier's bill, for instance, a dispute over who should provide the software to filers caused the bill to die in the Assembly Appropriations Committee. The Republicans wanted the private sector to be the purveyor of the software goods, while Democrats argued that the state had a responsibility to provide basic cost-effective software just as it provides paper forms for filing other mandated information such as tax returns.

Not two weeks later, McPherson introduced his bill, which was drafted to address the concerns raised in response to the earlier legislation. But by this time, Democrats were in no frame of mind to let McPherson, a Republican running against Democrat Rusty Areias in a hotly contested Senate race, hit the race running with a prize piece of reform legislation that would sell well with the voters. McPherson's bill ostensibly caused division over whether or not donors' home addresses should be on the Internet. It was ultimately agreed that private addresses would not be carried online, but that this information, already required under Proposition 9, would continue to be listed on a paper copy of the disclosure statement at the Secretary of State's Office.

The fourth of the bills, introduced late in the session by Senator Quentin Kopp (I-San Francisco) was supposed to surmount the party credit issue with his willingness to take on co-authors from the Democratic, Republican and Reform parties. Ultimately it failed to beat the session clock after delays addressing concerns about penalties for

commercial usage of electronically posted data and about whether transmission over public access lines could be construed as mail fraud in the event of intentionally erroneous information.

In the end, Kopp's bill seemed to suffer the fate of all the others before it. Everybody liked the idea of electronic filing, but nobody could agree on the particulars. Kopp's take is that with 1996 an election year, this simply "intensified the innate psychological reluctance of legislators" to make campaign information even more accessible.

Most who were closely involved with the negotiations and hearings on electronic filing say that while partisan politics were clearly at play, legislators were justifiably cautious about working out the details with an eye to anticipating potential problems. "The whole state is going through growing pains from moving information out of government filing cabinets onto the Internet," said Kim Alexander, director of the California Voter Foundation, a non-profit organization devoted to improving computer access to campaign information.

In California where recent exit polls revealed that 26 percent of voters classify themselves as regular Internet users, Alexander says the appetite is huge and hungry for campaign and political information. She points out that the electronic filing legislation would simply make campaign data that is already a matter of public record more easily accessible for voters.

Alexander is optimistic despite the defeats in the last session. "This is the first year where we saw a lot of people get into this issue and take it seriously," she said, adding that four bills on the same subject in a single year showed that the issue rated as a top priority.

Most everyone credits Jones with enabling the electronic filing legislation to become a reality and for arming his support with good staff, resources and a bipartisan effort. "One of the best things the legislation has going for it is Bill Jones' strong support," said David Jefferson, an Internet researcher at Digital Equipment Corporation in the Bay Area and a former member of the electronic filing advisory panel.

But Jefferson says he found himself wondering along the way if Jones might have been dragging his feet at critical times when his support could

have made a difference. "There were some committee disasters where the bill was scuttled by the Republicans, and I didn't understand how, if the secretary was on top of things, it could be scuttled by his own party."

As for Jones, he says it would have been a mistake to move a new issue and just run over people for quick passage. "If a member has a legitimate point, I try to give them the benefit of the doubt and deal with their concerns," he said. Jones may well recognize that his presence in the Legislature on behalf of electronic filing needs a higher profile. He says he plans to play an active role in seeing the legislation through to adoption this session. "It's important that I take the time to visit members," he said.

Three similar electronic filing bills have already been introduced this session, two in the Senate, one by Kopp and the other by Senator Richard Polanco (D-Los Angeles), and one in the Assembly by Assemblyman Jim Cunneen (R-Cupertino). While the differences between the bills are not appreciable, partisan politics already seems to have entered the picture. Kopp's bill, introduced prior to the one by Polanco, includes sponsorship by the Secretary of State. Polanco's arrived on the scene after Senate President pro Tempore Bill Lockyer (D-Hayward) "became mightily angered," according to Kopp, over a mailer sent out with Jones' endorsement for a Republican assemblywoman that included a sharp attack on Lockyer. Kopp says Lockyer then enlisted Polanco to introduce a competing electronic filing bill absent Jones' sponsorship.

If California ultimately succeeds in establishing electronic filing requirements for campaign income and expenditures, it will follow some 13 states and the City of San Francisco that have already mandated electronic filing. The

recent passage of Proposition 208, the campaign finance initiative that imposes strict limitations on funding amounts and percentages of financing from individuals, PACs and political parties makes it all the more critical, say supporters, that the secretary of state track disclosure statements by computer. "Without computerization, it will be impossible to enforce Proposition 208 in any meaningful way," said Alexander, pointing to the possibility of bundling and other schemes for circumventing the intent of the measure.

Jefferson and others advocating the electronic filing legislation say enough time has been spent dissecting the technical issues and it's time to move expeditiously toward adoption. "This reform is so critical that within very large margins, whatever comes out, so long as it allows the public to look at campaign information prior to elections, will be acceptable to me," said Jefferson. "The ability to follow the money is one of the central checks in our democratic system."

Both key legislators and Jones are hopeful that electronic filing legislation will clear the necessary two-thirds passage in each house this session. But working out the details may again be a stumbling block. "I would hope we would get everybody together on one bill," said Jones, "but if there is more input, we welcome it." 🏠

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Taming the

After a hundred years of official monopoly, government-run utilities will soon enter the free market. Will the municipal utilities adapt and survive, or will they be trampled by the private-sector giants?

By Richard Nemec

When last year's precedent-setting electric industry restructuring law passed like a comet through the final days of the state legislative session with historic unanimity, many Sacramento insiders attributed the near-perfect political feat to the economic clout of the state's largest businesses and private utilities. However, in looking ahead at implementing what the law has prescribed, it is clear this bill had a lot of involvement from the local governmental sector, too, most notably California's 27 municipal electric utilities that supply nearly one-third of the electricity in the state.

While technically the new law does not directly impact the government-run utilities, if California is to successfully transform a 100-year-old monopoly business into a competitive industry, ironically it will depend on both cooperation and real changes among the munis. Billions of dollars in industry profits and consumer savings will be riding on how well the historically incompatible public and private sector monopolies can be meshed together under California's new law and equally new federal regulations.

By some accounts, municipal utility involvement in crafting the legislation was almost an afterthought. One observer noted that a relatively small group of players, led by the giant

Richard Nemec is a Los Angeles-based writer who covers the energy industry for several national trade publications. He has been closely following and writing about the electric industry restructuring in California and nationally for the past two years.

deregulation beast



Illustration by Mike Tofanelli

In short, the munis are an arm of government even though they have independent revenue sources that do not require use of tax dollars.



investor-owned utility Southern California Edison, crafted the basis for the California Public Utilities Commission's (PUC's) final plan for electric restructuring in December 1995. The municipals, consumers and even some of Edison's sister utilities in the private sector felt left out of the process, calling the initial compromise a "smoke-filled-room document." Fearing they'd be left without any leverage at all, municipal utilities finally became engaged when the bill reached the Legislature. "The munis have had a helluva time convincing the financial community that this was their bill," noted one observer. "It was clear that Senator Steve Peace [lead author of the restructuring bill] would have left the munis out otherwise."

Whatever prompted their involvement, municipal utilities believe they made an impact on the final product. "We haven't made as much noise in this process or been tracked by the press as much as Edison, but I don't think there is any part of [the new law] that the 27 munis didn't have a part in helping shape," says Dan Waters, executive director of the 11-member Southern California Public Power Authority, which manages debt financing for several large municipal utilities, including the giant Los Angeles Department of Water and Power (LADWP).

The new year, particularly the first half of 1997, will provide the real test for how fully "included" the municipal utilities become. Bond-rating agencies, all of which are centered in the northeastern part of the United States, have a perception that the California municipals have been disadvantaged by the new state law, at least as compared with the investor-owned utilities. "All of the municipal utilities have a pretty difficult challenge to get ready at the same time as the

investor-owned utilities [IOUs]," said Molly Butler, a research analyst specializing in municipal utilities for the Franklin Templeton Fund. "The new law is a pretty good deal for the IOUs and makes the munis' jobs even harder."

In the early stages of implementation, most have been playing along as expected. Most have begun the process of turning over control of their transmission facilities to the statewide Independent System Operator (ISO), the new super-agency that will control the flow of power across the state's huge power grid. Participation in the ISO is a prerequisite for any utility to receive its share of the estimated \$28 billion dollar pay-down of existing assets — the so-called "competitive transition charges" (CTC).

Many municipals have also begun the process of considering whether to turn their systems into "open access" networks over which customers can move their own power supplies from competing electricity providers within and outside of the state. Following public hearings, the munis' local regulatory bodies will determine later this year whether to authorize direct access retail contracts. If authorized, a phase-in of direct-access must start no later than the year 2000.

Once this full retail competition is approved, ultimately all customers must have the choice of buying their own power or continuing to have the local utility do it. Those purchases likely will be made through another super-agency, the Power Exchange. Both the PUC and Legislature expect that muni customers will get the same choices and the same price reductions as those of investor-owned utilities. It is a matter of parity, but regulation will continue with local authorities such as elected or appointed

boards and/or city councils. Those local boards must make the ultimate decision to provide this parity.

The direct access process, though, is where the cracks begin to show. Munis' roles go beyond those of the investor-owned utilities in that they are part of the local social-service delivery system, and in some cases, are part of the economic development and general municipal services funding. In short, the munis are an arm of government even though they have independent revenue sources that do not require use of tax dollars. Two steps the LADWP is trying to get its city political leaders to adopt are: (a) capping the amount of transfer payments from the utility to the city's annual general revenue fund; and (b) eliminating the current policy of providing free energy and related services to other city departments.

More generally, the two major barriers the munis face in preparing for the new competition by 1998 are tied to tax policy and local political will. At the start of 1997, the municipals have more questions than answers about their rapidly shifting future. Can local government-run utilities survive in a newly competitive industry?

"It wouldn't surprise me if some municipal utilities are looking at whether they should sell off some assets and contract out for certain services from the private sector," said Stu Wilson of the California Municipal Utilities Association. "But I am not aware of any [in California] who have done a broad-based study on the issue [of privatization]. Invariably, this is an issue that has to be dealt with on a case-by-case basis. It is hard to generalize about it."

"Municipal utilities are going to be dramatically impacted by what is going on in the industry," said Jan Schori, general manager of the state-chartered Sacramento Municipal Utility District (SMUD). "Our customers want the same things as the customers of [investor-owned utilities] — better service, lower prices and more choices, and generally those are the benefits that competition should bring."

As a result, SMUD and its large municipal counterpart in the south, LADWP, will be scrambling during January and February to sell some strong-tasting medicine that utility management feels is essential to keep municipal utilities alive and well in the brave new world of competition, even though they acknowledge that it will take a large amount of

political courage for the local elected officials to forgo some of the advantages of the old monopoly days, such as subsidized lower rates for residential and small business customers, along with ever-bigger chunks of the utility's revenues — in the case of Los Angeles — being diverted to support for police, fire and other essential services.

The main culprit for the munis is no different than their private sector counterparts — the financial structure that made sense in a highly monopolistic, highly regulated environment is poison in the new competitive environment. Therefore, both the munis and the IOUs suffer from so-called “stranded costs” — large capital-intensive facilities (generation plants and transmission wires) — that no longer pencil out as viable in the more market-based, competitive future.

“Most people do not take into consideration the different nature of our stranded investment,” said LADWP’s general manager, Bill McCarley, noting that the investor-owned utilities have more financial options using depreciation and equity funding as opposed to the municipal utilities’ tax-exempt debt financing.

The state’s new law, however, gives the Edison’s of the world a methodology for eliminating their problem fairly quickly. Since the bill technically does not apply to the munis, they are left far more vulnerable, and their local political bodies have far fewer policy options, not to mention the inherently slower policymaking process in government, compared to the private sector. The investor-owned utilities have the ability to raise capital more quickly, accomplishing in days what takes public power outlets months to move through the governmental policymaking process.

No California municipal utility better exemplifies this dilemma than the LADWP. The nation’s largest government-run utility, LADWP is similar to the investor-owned utilities in size (\$2.5 billion in revenues; 1.3 million customers) but is a creature of tax-exempt debt financing and close political oversight.

“One of the key policy issues that the board and the city council are going to decide is how much, if any, generation do we continue to operate, and if we continue, in what fashion,” said LADWP’s McCarley, whom Los Angeles Mayor Richard Riordan made the first non-engineer to head the sprawling utility that owns and operates facilities throughout the Southwest. “Assuming they ap-

prove our joining the ISO, we need to decide how we compete in the wires and any other businesses that develop beyond the meter.”

By early February, LADWP hopes to have a recommendation to its governing board to establish a unique strategic alliance with one or more private-sector (probably out-of-state) energy companies to help it better manage some of its major generation/transmission assets. This will help reduce operating costs and boost revenues from those assets with the private partner(s) sharing in any additional “profits” that result and LADWP using its share to accelerate its reduction of its almost \$8 billion in debt. In the meantime, the large muni has alliances or potential alliances with some of its neighboring utilities that are soon-to-be competitors.

As part of the strategic business plan SMUD hopes to get its board to approve in February, Schori is recommending that the Sacramento County-based utility offer up to 100 megawatts of direct-access contracts to some of its largest industrial customers as early as this June — before the ISO and power exchange formally begin operations in 1998. Without the exchange and ISO, Schori admits there will be some logistical problems, but she still feels if SMUD could be ahead of its future competitors in offering its largest customers the chance to sign up with their own power providers, they will get a jump start on the new electricity markets.

Given these sweeping changes that call for commercial — not socio-political solutions — is there a role for the traditional public utility? And even more fundamentally, should government-run utilities continue to try to operate side-

by-side with investor-owned organizations that are becoming freer of the traditional command-and-control regulation?

The national lobbying organization for the government-run utilities, the Washington, D.C.-based American Public Power Association, has reasoned white papers and editorial commentaries, along with comparative rate statistics, arguing for the viable role of public-based power. Closer to home, CMUA and the financial community — while not getting into the philosophical debate of public-vs.-investor ownership — point to the financial impracticability of selling off whole municipal systems that are financed by tax-exempt bonds. Besides, as SCPA’s Waters points out, the munis right now are “saddled with too much debt” to make them attractive to private-sector investors.

“I don’t think privatization is doable at this time without sacrificing the tax-exempt status of those [muni] assets,” said Franklin Templeton Fund’s Costas. “You could privatize some of the related services, but not the assets themselves.”

Both the investment community and other municipal utility operators feel that single-purpose public utilities, such as SMUD, which are not an extension of local government and therefore not expected to contribute to the support of local government services such as fire and police, are in a better position to prepare for the new competitive electricity world. LADWP’s McCarley agrees, but he thinks any of the municipal utilities — whether tied to a local government body or not — have the potential to help improve local socio-economic conditions.

“Beyond electricity and water, a department [like LADWP] in a municipality has the potential to be used for jobs,



**No California municipal utility better
exemplifies this dilemma than the Los
Angeles Department of Water and Power.**

economic development and a number of public policy issues, if it is structured properly, and that is still somewhat the appeal of municipalization," said McCarley, noting that a recent alliance between the city of Palm Springs and Portland General Electric Corporation calls for the investor-owned utility to help the city with economic development while also being a supplier of

electricity to the city government and acting as an aggregator for residents who chose an alternative to their traditional IOU-provider, Edison.

All the munis have strategies, and for the most part they include some or all of the following: cost cutting (work force and programs), debt reduction, better asset management, some form of asset sales/retirements, looking for new mar-

keting opportunities. The larger ones — LADWP and SMUD — want to offer services outside of their traditional service areas.

Yet another approach is being taken by the city of Anaheim municipal electric utility, which has served its city for more than century and now has 104,000 customers and about \$250 million in annual revenues. Rates have been cut to its largest industrial customers by 5 percent and residential rates have been kept about 25 percent below those of Edison, which serves all of the surrounding communities. In addition, Anaheim has invested in a broad-band fiber-optic cable system, allowing it to establish a partnership with a private cable operator that will eventually provide competing telephone, cable and Internet access to Anaheim residents — sharing the gross and net proceeds with the municipal utility and providing the muni utility with free cable services through which it can run its electric system more efficiently. The fiber optics also allow Anaheim's electric department to provide newly emerging two-way communications between the utility and all of its customers who chose to take advantage of the cable hookups as they are phased in over the next five years.

Anaheim, and the rest of the California munis at this point, are betting they can compete in the new electrical world that will unfold in less than a year. How and when will depend on their size and local political and fiscal circumstances. In the meantime, the large agencies and trade associations supporting public power will be working with the investor-owned utilities to resolve the difficult issues critical to the municipal utilities becoming full-blown partners in the ISO and power exchange organizations that will be formed by the end of this year.

"No one wants to step over the cliff with their eyes closed," said Stu Wilson of the California Municipal Utility Association. "For us, each individual member is in a slightly different position, so on some of these issues we have to take a broad policy position, and then individual members have to decide what they do individually.

"Today, the cost pressures for every industry are very evident and very real. Industries all over the world are looking for efficiencies. Those factors ultimately ripple through the entire economy and affect all the players in the economy, including local governments." ■

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Southern Exposure

perspective

by Sherry Bebitch Jeffe

Willie Williams

The decision of Los Angeles Police Chief Willie Williams to apply for a second term as the city's "top cop" has brought into harsh relief the political fissures of the city.

April 1997 will mark the fifth anniversary of the riots which rocked Los Angeles after a predominantly white jury acquitted four white police officers of assault charges in the beating of Rodney King, an African-American. It will also mark the end of Williams' first tour of duty. The city's police commission must decide by April 7th whether to reappoint Williams for another five-year term; it is the last he can serve under the provisions of a 1992 charter amendment. No matter what the five-member commission decides, the vote of 10 members of the 15-member city council can override it.

The commission deadline comes just before the municipal primary election. State Senator Tom Hayden (D-Los Angeles), who is challenging incumbent Mayor Richard Riordan, backs Williams. Mayor Riordan, a sometimes critic, has demurred, saying it is the job of the Police Commission — his appointees — to decide the chief's future based "solely on his performance and merit."

Williams, the city's first black police chief, was brought in by then-Mayor Tom Bradley to "heal" the city after the King beating. He has become one of Los Angeles' most popular and recognizable public figures. The chief has strong support among minorities; a *Los Angeles Times* poll taken last June showed 68 percent of the city's blacks and 62 percent of Latinos approved of Williams' job performance (compared with only 49 percent of whites). The city's African-American establishment — church and civil-rights leaders who have long been influential figures in L.A. black politics — have lined up behind his second-term bid.

Within the grass-roots black community, Riordan is perceived to be somewhat patronizing — perhaps a function of the "noblesse oblige" attitude the wealthy entrepreneur brought to his stint in public service. Some community "movers and shakers" grouse that they have been shut out of the Riordan administration. Few African-American establishment leaders have been appointed to the citizen commissions which oversee various city departments. Nonetheless, because there is a perception that Riordan will win and there is no other real choice, most black leaders have endorsed the mayor's re-election. So, one observer said, "this 'Williams thing' has become payback time for them."

Williams' support is weaker in the San Fernando Valley and Westside communities which are home to the preponderance of the city's high propensity voters. These largely Anglo communities were Riordan's base in the 1993 election.

Williams' once formidable support on the city council appears to be eroding. Last year, the police commission reprimanded Williams for lying about accepting free Las Vegas perks. Fearing a possibly racially divisive fight, the city

council voted to overturn the commission's decision — without even reviewing the evidence. This year, speculation is there are no longer the necessary 10 pro-Williams votes on the council — at least when it comes to overturning a police commission denial of a second term.

What's happened? This is an election year, the chief's popularity has slipped and his shining armor has been a trifle tarnished. He has made several missteps which have alienated councilmembers. Last year, after being upbraided by the Police Commission for ordering a more expensive car than his subordinates drove, Williams wrote the city's General Services Department requesting information on "the year, type and cost of vehicles currently assigned to each council member." Not a smart political move.

Those who read City Hall tea leaves are fairly convinced that, on merit, the odds are against Williams' reappointment. Support within his own department has been tepid; criticisms of his administrative skills, leadership style and effectiveness as a manager persist.

Should Williams not win reappointment, the choice of the next police chief rests with the mayor — working from lists of three provided by his police commissioners, and subject to confirmation by the city council. Currently, the leading contenders appear to be Deputy Police Chief Bernard C. Parks and Deputy Chief Mark Kroeker.

Parks is African-American and a LAPD "insider" whom "outsider" Williams beat out for the job of chief. Parks has long had strong political and law enforcement support. Kroeker headed the Valley Bureau for two and a half years. A group of San Fernando Valley business and community leaders, called "Safe in L.A.," already has launched a letter-writing campaign to support him.

Latino community and political leaders want the next police chief to represent the city's burgeoning Latino population. Deputy LAPD Chief David J. Gascon and Lee Baca of the Los Angeles County Sheriff's Department are the top candidates to become the city's first Latino chief.

If Parks is passed over again, Riordan risks further alienating the black community and furthering the perception that African-American leaders have been slighted by his administration. On the other hand, the support the mayor has received from Latino allies on the council and in the Eastside community could be jeopardized if he ignores their demands. And Valley residents have become less happy with the Mayor, particularly on the issue of secession and the perceived unresponsiveness of city government to their needs. They, too, will not take kindly to being ignored.

This calculus is what makes the debate surrounding Chief Williams so potentially nasty and divisive. Whatever the ultimate decision, it will present a daunting political challenge for Riordan, the council and the citizens of Los Angeles. 🏠

Vic Fazio

He is the third-ranking Democrat in the House,
and may someday be speaker, but elections
at home are never easy.

Everyone on Vic Fazio's staff was braced for the worst that Tuesday evening in early November. After 18 years in Congress, it seemed possible that voters in California's 3rd District would throw out the Sacramento-area Democratic congressman in favor of Republican Tim LeFever. Fazio's people were nervous because they knew how close LeFever had come to beating their boss two years earlier.

But as election night wore on, it became clear that Fazio had defeated LeFever by a comfortable margin. What is not so clear is how many more election nights Fazio can pull through with a big smile and another term under his belt — or even how many more gritty election nights he wants to go through.

Even though Fazio is the third-ranking Democrat in a GOP-controlled House of Representatives, he is a behind-the-scenes power who has the respect of members of both parties and is a sure-fire candidate for House speaker someday, his district is gradually — and, for him, agonizingly — turning more and more Republican, and therefore harder to retain.

It is a trend Fazio can do little about except walk a tightrope between his responsibilities as a key leader of a House Democratic caucus that urban liberals still have influence over, and a duty to his rural, more conservative constituents who look askance at liberalism. If Fazio succeeds in that balancing act, he may just find himself in office long enough to make a grab at that speaker's gavel.

The speakership "is a logical conclusion to a career here of advancement. But very, very few members get there and it can't be your all-consuming desire or you will lose sight of all the other responsibilities you've got to perform in the interim," the 54-year-old-lawmaker said in a recent interview.

Victor Herbert Fazio Jr. grew up in the rural northern New Jersey town of Florham Park in a family that believed public service and politics were virtues, not nuisances. His father, a textile industry executive, founded a Little League team and also served on the local school board and city council.

"I saw that there was a civic role for people to take care of the needs of their families, their own communities, as they grew and

by Herbert A. Sample

Herbert A. Sample is a reporter in The Sacramento Bee's Washington bureau.



Illustration by Norm Hines

evolved," he recounted. "I was very aware of public affairs as a child. We talked about them, my grandparents, my parents, myself. I can remember them going out to vote for [Republican presidential candidate Thomas] Dewey in 1948, all four of them. It is not for me, therefore, something that I just took to as an adult. I think it is part of my background."

Fazio's education in California politics began in the mid-1960s as a Corro Foundation fellow. During the next few years, he became an important aide to Assembly Speakers Jesse Unruh, a Democrat, and Bob Monagan, a Republican. He earned praise for helping to draft some of California's landmark open-records laws, and he took a year or so off to co-found

California Journal. In 1975, Fazio sought and won a Sacramento-area Assembly seat that he held for three years before moving to the House.

Almost from the get-go, it seemed someone had Fazio pegged for advancement on Capitol Hill. In just his second term, he was appointed to the touchy job of chairman of the House Appropriations subcommittee that handles Congress' budget. He took on other tough assignments that drew thanks only from his colleagues, such as sponsoring congressional pay raise bills during the 1980s. Fazio also was a rising influence on another appropriations subcommittee that handled energy and water matters. And from 1991 through 1994, he led

the Democratic Congressional Campaign Committee, whose main task is to increase the ranks of House Democrats. He was elected chairman of the House Democratic caucus two years ago and won a second term in the post in November.

Fazio does not deny his ambitions, nor that the influence and chits gained through arduous, closed-door, negotiations over everything from farm programs and military construction projects to political strategy have helped him ascend to his current station — and, possibly, further. But there was something more at work than just blind desire for power, he insists. If he hadn't sought and gained influence within the institution, he said, he would have been unable to deliver to the district tens of millions of dollars in federal largess — much of it what congressional critics routinely call "pork."

"It goes hand in hand; the ability to help at home relates to your credibility and respect and authority in the body itself," he explained. "And anybody who doesn't see that doesn't understand the reality of how life works."

For much of his House career, Fazio climbed rungs and delivered the goods without much worry of someone knocking the ladder out from under him. During the 1980s, Fazio's safely Democratic 4th District encompassed Yolo and Solano counties and parts of Sacramento County. But the 1991 reapportionment removed much of Democrat-leaning Solano and Sacramento counties and spread Fazio's new 3rd District northward into the more Republican territories of Sutter, Colusa, Glenn and Tehama counties.

So while Democratic voters held a 10-percentage-point lead over their GOP counterparts in 1992, that margin is now 5 percent and dropping. Conservative former state Senator H.L. Richardson tried knocking Fazio off in 1992, but President Bill Clinton's coattails and other factors pulled the incumbent through. But by 1994, the national political landscape had changed drastically and Fazio, perhaps caught unawares to the new dynamics in his district, barely defeated the then-unknown LeFever despite spending seven times more money.

The 1996 rematch had all the makings of more trouble, with national Republicans attuned to Fazio's vulnerabilities and eager to pour in the money for LeFever. But Fazio won again, this time by eight percentage points, no doubt a beneficiary of Clinton's strong performance in the state. But there were other reasons.

For one, Fazio has made a concerted effort to moderate his image, which was never that of a fiery liberal in the first place. He began voting more with a "conservative coalition" of Republicans and southern Democrats. And while he opposed early GOP welfare reform proposals in the just-ended congressional session, he supported the final version Clinton signed. He also backed an omnibus immigration bill and legislation allowing states to refuse to recognize gay marriages. Fazio's fellow Sacramento-area Democrat — Representative Robert Matsui, deputy chairman of the national Democratic Party — voted against all three bills.

"I was not happy with the existing [welfare] system," Fazio said. "I didn't feel it needed to be defended at all costs." Another explanation, he suggested, lies in the contrast between his and his neighbor's district. Matsui's is urban, populated by many Democrats; Fazio's isn't. "You have to keep in mind always the people you represent and their views on issues, and not flying in the face of their wisdom," Fazio said. "If you do that on a regular basis, you may find that they've decided that your wisdom isn't worth support."

Welfare rights advocates understood his underlying politi-

cal calculation in voting for the welfare reform legislation, but were peeved nonetheless. "I think he voted for it for the same reason Clinton signed it, which is it is an election year and he's in a vulnerable district and it provides some cover for him," said Scott Anderson, executive director of the California Council of Churches.

Major backing from agriculture also fueled Fazio's stronger-than-expected showing. Bob Vice, head of the Republican-oriented California Farm Bureau Federation, was quite happy to praise the congressman for his help on a pesticide reform bill. And Al Montana, chairman of the Farmers Rice Cooperative, called the congressman instrumental in securing concessions for rice growers in the 1996 farm bill.

And, of course, there was money — tons of it. Fazio collected more than \$2 million from virtually every conceivable business source for his re-election bid. That was not an aberration; one element of Fazio's political reputation is of a prodigious fund raiser, so much so that he made the "Dirty Dozen" list recently compiled by liberal *Mother Jones* magazine of lawmakers who rake in the dollars.

Where all this moderating ideology and fund-raising prowess take Fazio from here is difficult to tell. If Democrats had regained control of the House, there were strong hints that he would have challenged Democratic Whip David Bonior of Michigan for what would have been the second-ranking post in the House, that of majority leader. It would have made for an interesting contest, with Fazio aligned with the conservative and moderate factions among House Democrats. But whatever thought went into such a race was abandoned when the GOP retained the House after November's elections.

For now, Fazio insists he is not tiring of being in the minority or of the non-stop workdays and the twice-a-week, cross-country airplane trips. And he remains optimistic about keeping his seat, even though the 1998 mid-term elections will pose particular problems for vulnerable Democratic incumbents. If he can survive that and the 2000 contests, he may be able to win a more favorable district in the next reapportionment.

Or, he could opt for what probably would be a plum appointment from Clinton. Some friends say Fazio has voiced thoughts of moving "up or out," and a high administration post could be just the carrot for him to leave a job he clearly loves but which may not offer much advancement in the near future.

And there are family considerations, too. The death of his daughter, Anna, at 22, a year ago after a long battle with leukemia, left him painfully wondering if his workaholic ways have sliced too deeply into his personal life. "There have been times I've worried about him, with all his responsibilities here and in the district," Matsui said. "He's handled it well, but I can't tell you he isn't in pain, because he is."

But Fazio rarely wears that anguish or the pressures of his job on his face. And if the gods of politics do not deem the speakership to be his, then so be it.

"My approach to advancement in public life is to do the job I'm given well and assume that things will take care of themselves from there," Fazio said. "If luck and timing is with you, maybe things happen. If it isn't, it doesn't." 🏠



The Bottom Line

commentary

by Susan Rasky

Anecdotal Government

A former Riverside County welfare recipient by the name of Trish Molina, governors with grandchildren residing in California and Los Angeles' notorious 18th Street gang all figured — no doubt unwittingly — in Governor Pete Wilson's proposed budget for 1997-98.

That wouldn't be noteworthy had this disparate collection of individuals been mere rhetorical flourishes in the governor's State of the State speech, as indeed Ms. Molina was last year and the L.A. gangbangers were this year. That would be tradition. Ronald Reagan, who introduced the welfare queen to politics two decades ago and perfected the art of the anecdote during two terms in the White House, understood instinctively that "the common touch" is a critical tool for building public support. Franklin Roosevelt had it, so did Bobby Kennedy. And Bill Clinton, the ultimate in poll-driven politicians, is a master at it. In a world where all economists can offer are solutions either so costly or so incremental that the public could never support them, politicians do what they must.

But what has become disturbingly clear as Wilson and his aides seek to explain the details and assumptions (or lack of them) underlying the budget is the degree to which anecdotes — not comparative studies, not econometric models, not even pilot projects, but simple anecdotes — actually drove the major policy choices.

How did the governor know that the \$2.3 billion a year in corporate tax relief enacted since 1991 had been responsible for boosting non-farm employment in California? Wasn't it possible that a nationally driven economic recovery, regional growth patterns, an accommodating Federal Reserve policy that has kept interest rates at historically low and stable levels might have had something to do with it? And was there any evidence that the additional 10 percent reduction in the bank and corporation tax the administration is seeking over the next two years would, as the budget proclaims, "further improve California's climate for job creators?"

Well, as Wilson told reporters who raised the questions at his budget briefing, governors from other states who once frequented California under the guise of visiting their grandchildren had fessed up that they were now finding it harder to lure companies away.

Reporters who wanted to know where — even in a booming economy — the jobs would come from to gainfully employ the roughly 700,000 adult welfare recipients required to leave the welfare rolls in the next two years got a reminder from the governor about Ms. Molina's successful path to the

workforce and then a mini-lecture on tort reform. At least 650,000 jobs in the last three years had been lost to "a legal system that has made the lawyer's briefcase a weapon of terror," the governor had said in his State of the State speech. Elaborating later, he explained to reporters that those jobs go begging because employers who wish to replace workers fired for incompetence fear wrongful termination suits.

Would there be sufficient job training slots for welfare recipients without the skills or education to enter the labor force, reporters asked? Would there be affordable child care services for these new job seekers and workers, particularly those expected to accept minimum-wage jobs with non-traditional hours?

"We think we have enough," Craig Brown, the governor's director of finance told them, even though the budget neglects to mention that existing job training programs and child care services cover only a fraction of the eligible population. It includes no estimates on how many adults or children will be accommodated under the new federal block grants that will replace the current system.

Reporters were somewhat less forceful in questioning the assumptions behind the governor's proposals for further reductions in elementary school class size, perhaps a reflection of their own anecdotal experience or biases about how learning is accomplished or how popular *any* increase in education funding is with the California voters. If cutting class size from 30 to 20 in three elementary grades is good, then extending it to four grades must be better, right? Would the additional money be more useful in cutting class size to 10, or in directing it to students in higher grades, or in extending the school year? The budget doesn't say.

The point here is not that Wilson's policy choices shouldn't embody, especially at the proposal stage, some measure of his personal values and ideological or philosophical point of view. Arguably, he deserves some credit for being candid about how much his personal views are reflected in the welfare proposal that encourages single mothers to consider giving up children for adoption. From a governor generally noted for putting his finger to the wind on social policy issues that's almost refreshing.

But directing the resources in a \$66 billion budget, requires more than navigation from the gut — or the heart. It's bad enough that modern governance has come to rely on anecdotes rather than analysis to sell complex policies. We're in real trouble, however, when those who actually write the policy can no longer tell the difference. 🏠

**Ronald Reagan
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Washington Notes

perspective

By James R. Carroll

Boeing

Met the new 800-pound gorilla in corporate California. And in the Pentagon. And in the Congress. And in the State Department. And anywhere else it wants to plunk down.

Meet the Boeing Company, the Seattle-based builder of the world's most popular airliners, and soon to be a major player in defense, too.

The pending merger of Boeing with McDonnell Douglas Corporation, announced in December, creates an aerospace behemoth that will be among a handful of elite corporations whose economic reach and political influence rival the power of many nations.

Not that Boeing was without clout before announcing the merger.

"Now you're talking about going from a heavyweight to maybe a super-heavyweight," said Norman Ornstein, an analyst with the Washington-based American Enterprise Institute.

The new Boeing, if approved by the federal government, will have a formidable presence in California, building on its earlier acquisition of Rockwell International Corporation's aerospace business. Boeing will have nearly 42,000 employees in California — second only to Boeing's home state of Washington — with facilities involved in electronics, a variety of defense systems, military and commercial aircraft building, missiles, commercial rockets and the space shuttle. All this doesn't include subcontractors and suppliers.

In the nation's capital, Boeing will be preeminent. It will be the nation's largest exporter, with 200,000 direct jobs in 27 states and projected revenue this year of about \$48 billion.

Remember the late Senator Henry M. "Scoop" Jackson (D-Washington), known as "the senator from Boeing" for his devotion to the company? Now there will be dozens and dozens of senators and congressmen from Boeing.

"They are without question going to be one of the most influential companies around," says California Democratic Senator Barbara Boxer.

Boeing's interests will be intertwined with a vast array of issues that comes before the House and Senate — not to mention a host of federal departments and agencies: foreign policy, trade, taxes, jobs, defense, space, high technology and transportation.

Not incidentally, if the new Boeing spends as much as the old Boeing and McDonnell Douglas combined, the aerospace giant will be one of the largest corporate contribu-

tors in American politics. Based on premerger records, combined giving to candidates and so-called "soft money" contributions in 1995 and 1996 totalled more than \$1.25 million. Only a handful of companies in the nation can come up with that kind of cash.

At the Pentagon, the new Boeing will be involved in nearly every major weapons program at the core of U.S. defense: the Joint Strike Fighter; the Air Force's F-22 and F-15 Eagle fighters; the AWACs radar plane; the Air Force C-17 transport; the Marine Corps' V-22 Osprey; the Army's RAH-66 Comanche and the multiservice CH-47 Chinook helicopters; the Navy's F-18 Hornet fighter and the AV-8B Harrier fighter.

With the end of the Cold War and steady cuts in defense spending, analysts expected consolidation in the defense industry. But the size of some of the remaining players, like the new Boeing, worries some observers.

"It accentuates the Eisenhower warnings: Beware the influence sought or unsought of the military industrial complex, when you add the political structure that will be at the beck and call of these companies," says Admiral Eugene Carroll, deputy director of the Center for Defense Information, a watchdog group in Washington. "Every time somebody talks about cutting a contract, [Boeing] will push a button on its network and phones will light up all over this town."

There are implications for the taxpayers, too.

Not only may an obscure law permit the Pentagon to pay Boeing tax dollars for some of the merger costs, but the political pressure to keep the myriad Boeing defense programs running may force more military spending in the future.

But not everyone is uncomfortable with the new Boeing's added muscle.

Long Beach Republican Representative Stephen Horn's district includes McDonnell Douglas' Long Beach aircraft-building plant, but he has voted against the company on issues like Most Favored Nation status for China.

Horn, who doesn't accept PAC money and wants strong campaign finance reform, nevertheless, says he hopes "that people would listen to a huge entity that has hundreds of thousands of workers and hundreds of suppliers around America."

"They ought to listen," the congressman says. "It doesn't mean you vote with them." 🗳️

**At the
Pentagon,
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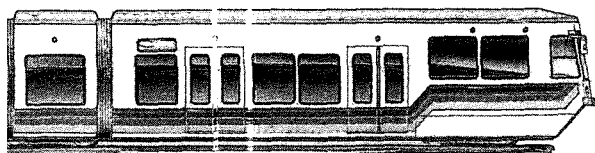
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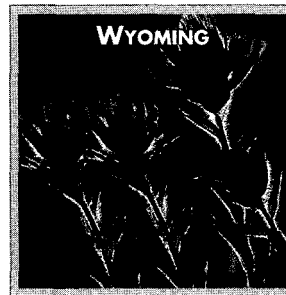
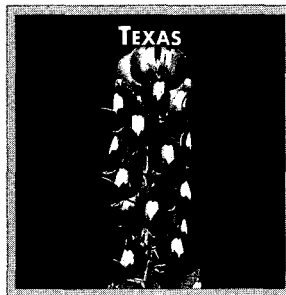
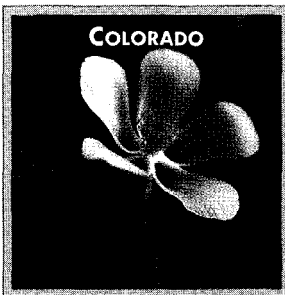
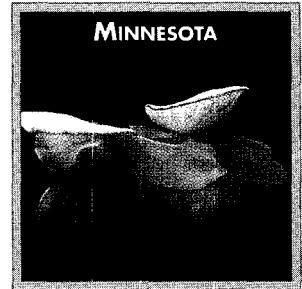
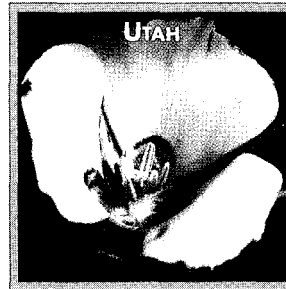
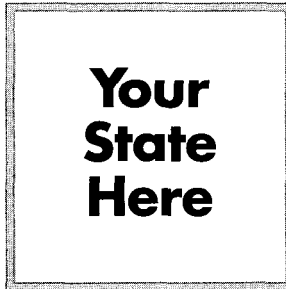
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